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TO: Nancy Lund

DATE: August 22, 1995

FROM: Gina Fawcett *GF*

SUBJECT: Marlboro Ultra Lights Update

SEATTLE

We have received a more detailed analysis of the Seattle market area from the STARS group. A summary of their findings is as follows:

- Overall, share (0.98) and distribution (21.9%) of workload accounts in the Seattle market have been stable since we have been tracking it with STARS data (13 weeks ending 8/6/94).
- Penetration is highest in workload convenience stores (25.7%), and, surprisingly, share is highest in workload supermarket stores stocking the product (2.58%).
- As we discussed, Region 5 is not the hot bed of trade relations issues that the other 2 test market areas have become. This is a stable market, seemingly fueled by consumer demand, not distributors wishing to gain a competitive edge. Therefore our group continues to recommend including the Seattle market in our new test market definition. A decision from Senior Management concerning Seattle is necessary before any communication goes out to the field.

COMMUNICATION

Brand, Customer Service and Trade Marketing, are currently working on communication of the new test market definition. Thus far we have decided on the following:

- One main communication to authorized direct accounts, explaining the new area, and penalty for abusing these boundaries. Penalty includes a warning at first offense, and discontinuation of MUL sale at second offense. We will also explain that we will be monitoring this going forward.
- A cover letter in "6 Step Format" (situation, key issue, solution, etc.) to the affected PM Sales Force, explaining the current situation of the MUL test market, and enlisting their help in the control/containment of distribution to this new area.
- We will not directly communicate to any retail account. If a chain account is misusing the product, we will send the SAM a packet of information, and he will see his account personally.
- We will monitor the situation going forward, and provide the field with an information packet if any distributor/retailer is found to be abusing the test market area so they can enforce at the local level.
- Customer Service in Richmond will be provided with the list of distributors that are authorized to purchase Marlboro Ultra Lights. Any account that's not on the list may not purchase product. If a PM Account Manager wishes to add a distributor to the list, this will need to be approved by Customer Service.
- The team recognizes that a small amount of diversion of product may occur, especially through the purchase of product by an out of test market retailer from an authorized wholesale club, which would be able to tax stamp for border areas. However, we wish to address the overwhelming cases of leakage as our top priority, and move forward from there.
- We will be seeking your approval on all communication before it is distributed.

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TRACKING

As per Bob Mikulay's request, the STARs group is preparing to track the test market area, with quarterly reports to management. We will work on developing the reporting structure and format, as soon as we decide on Seattle, and finalize the communication strategy.

Please let me know if you have any concerns or questions.

Thank you.

cc: S. Jannetta✓
T. Keim

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Seattle Trade Class Breakdown

Class of Trade	Total Stores	Stores Stocking	MUL Volume	% of Total Stores	Share in Stores Stocking
Supermarket	263	25	451	9.51%	2.58%
Convenience	1,382	355	5,180	25.69%	0.97%
Drug Store	151	27	411	17.88%	1.03%
Grocery	47	2	25	4.26%	0.74%
All Other Space	156	28	379	17.95%	0.61%
Non-Workload	629	50	445	7.95%	0.47%
Total Market	2,628	487	6,891	18.53%	0.92%
Total Workload	1,999	437	6,446	21.86%	0.98%

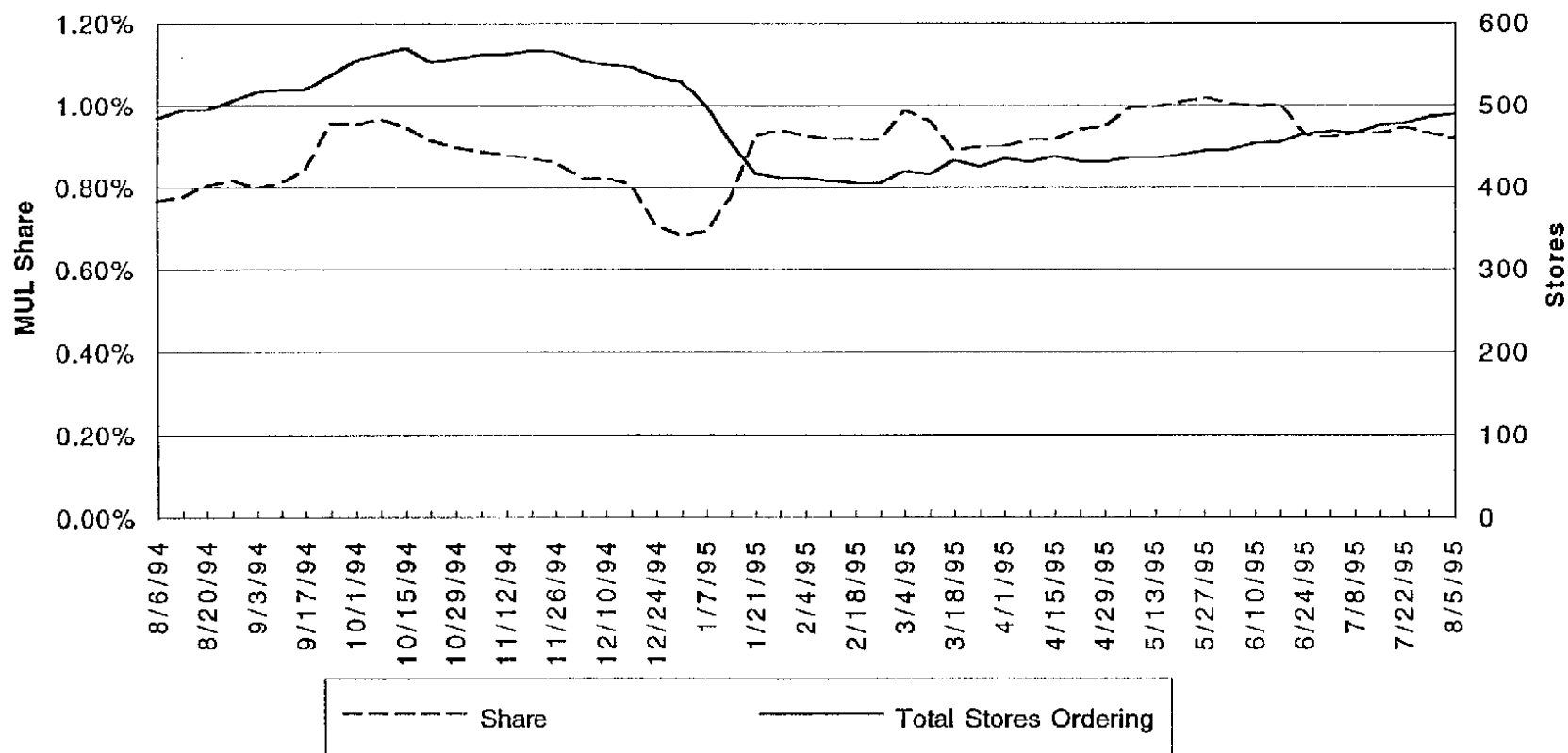
STARS store level database as of 8/5/95

Share is 13 week share ending 8/5/95

Seattle COT Analysis

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MUL Seattle Market: Stores Stocking and Rolling Week Share in Stores Stocking



* STARS Store Level Database as of 8/5/95

* Share and stores are based upon a 13 week rolling period.

Seattle Store Growth Chart 1

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